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DEPARTMENT OF NATURAL RESOURCES Division of Oil, Gas & Mining

ROBERT L. MORGAN
Executive Director

LOWELL P. BRAXTON
Division Director

Supervisor

[Signature]

Inspection Report Minerals Regulatory Program Report Date: October 21, 2004

Mine Name: Seep Ridge

Operator or Permittee Name:

Geokinetics

Permittee Mailing Address:

One Riverway Suite 2100, Houston, Texas 77056

Inspector(s): Paul Baker and Doug Jensen

Other Participants: Mickey Schott, Geokinetics

Permit Status: Reclaimed

Current Acreages:

Total Permitted (Bonded): 13

Total Disturbed: 13

Permit number: M/047/002

Inspection Date: October 18, 2004

Weather: Cloudy, rain showers, 40's

Inspection Start Time: 11:30 AM

Inspection End Time: Abt. 1:15 PM

Site location/Area Inspected (i.e. Pit #):

Primarily the trailer park, but we looked at other areas as well, including one of the monitoring well sites

Surface Ownership: SITLA

Mineral Ownership: SITLA

Mineral Mined: Oil shale

Type of Mine: In situ

Elements of Inspection	Evaluated	N/A	Comment	Enforcement
1. Permits, Revisions, Transfer, Bonds	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
2. Public Safety (open shafts, adits, trash, signs, highwalls)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
3. Protection of Drainages	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Explosives, magazines	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Deleterious Material	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. Roads (maintenance, surfacing, dust control, safety)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. Concurrent Reclamation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. Erosion Control	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9. Demolition	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10. Backfilling and Grading (trenches, pits, roads, highwalls, shafts, drill holes)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11. Water Impoundments	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12. Soils	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
13. Revegetation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
14. Air Quality	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
15. Other	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Purpose of Inspection:

There was some trash that needed to be cleaned up, so, before final bond release, we wanted to make sure this had been done.

Inspection Summary:

1. Permits, Revisions, Transfer, Bond

There is a grazing lessee, Alameda Corp., that is working with the School and Institutional Trust Lands Administration (SITLA) and the Division of Water Rights so they can continue to use the water well. This has not yet been finalized. According to an electronic mail message from John Blake of SITLA, Alameda has been asked to obtain the water right by October 29, 2004. If this does not happen, Geokinetics may be asked to reclaim the well.

Subsequent to the inspection, I received a call from Mr. Schott who had spoken with Alameda's attorney, Matt Crockett. Mr. Crockett apparently said Alameda is working to acquire the water right, so it does not appear the well will need to be reclaimed.

As far as I am aware, all other issues relating to bond release have been adequately addressed.

2. Public Safety

During the July inspection, we tried to find the well that was used to supply water for the trailer park. The hole that was dug as part of the search had been filled in (Photo 1).

To the west of the trailer park, we found two cased drill holes (Photo 2). The larger of these holes (about 4 inches in diameter) was filled with dirt as far as we could see, but the smaller hole was not. While I do not know who drilled these holes or what the purpose was, I do not believe this was the location of the water well for the trailer park. The water right legal description, maps in the plan, and an aerial photo all indicate the trailer park well was in the area where we looked last July.

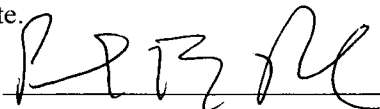
There was still some trash in the trailer park area, but most of it had been removed. It would be very difficult to find absolutely every piece of garbage, and we felt the work done was adequate.

In the area of the ponds, we found some old hypalon liner (Photo 3). It appeared this liner had originally been buried but that it surfaced over the years. Mr. Jensen is familiar with this type of material and said it will photodegrade with time.

We went to look at the site of one of the water monitoring wells on the south side of the section. There were no signs of the ground collapsing, so I have no indication the well was not properly plugged.

There was a lot of trash around the operating water well (Photo 4), but this is not the operator's responsibility. This photo does not show nearly all of the garbage. The compressor was running while we were at the site.

Inspector's Signature



Date: October 21, 2004

PBB:jb

Enclosures: Photos

cc: Mickey Schott, Geokinetics; John Blake, SITLA
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ATTACHMENT
Photographs
M/047/002, Seep Ridge, Geokinetics
Inspection Dated: October 18, 2004; Report Dated: October 21, 2004



Photo 1. The area that was dug up last July looking for the water well in the trailer park.



Photo 2. Two cased holes to the west of the trailer park.



Photo 3. Hypalon liner that has surfaced at one of the ponds.



Photo 4. The operating well. Note the amount of trash; there is more nearby.